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Advertising: Breaking the Creative Boundaries

Retail Advertising & Promotion: A $19 Billion Message

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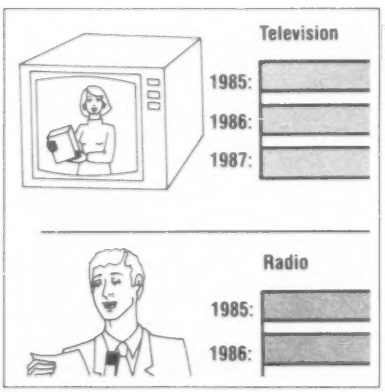
FORGING THE CRITICAL LINK

There's no doubt about it. Throughout the industry, retailers are becoming more creative in their use of various media for advertising and promotion purposes. In the process, they are spending more than $19 billion annually to forge a link between their stores and their present and potential customers. *11*



RESEARCH STUDY CONFIRMS HIGHER AD BUDGETS

The majority of participants in *Chain Store Age Executive's* study report raising advertising budgets this year: 58% will up them more in 1987. *12*

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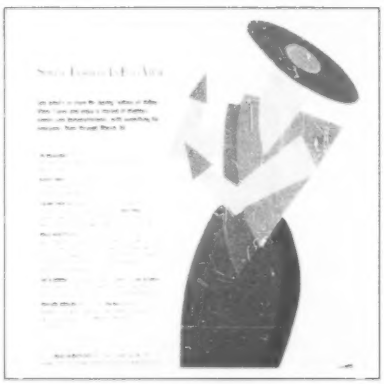
SHOPPING CENTER AGE

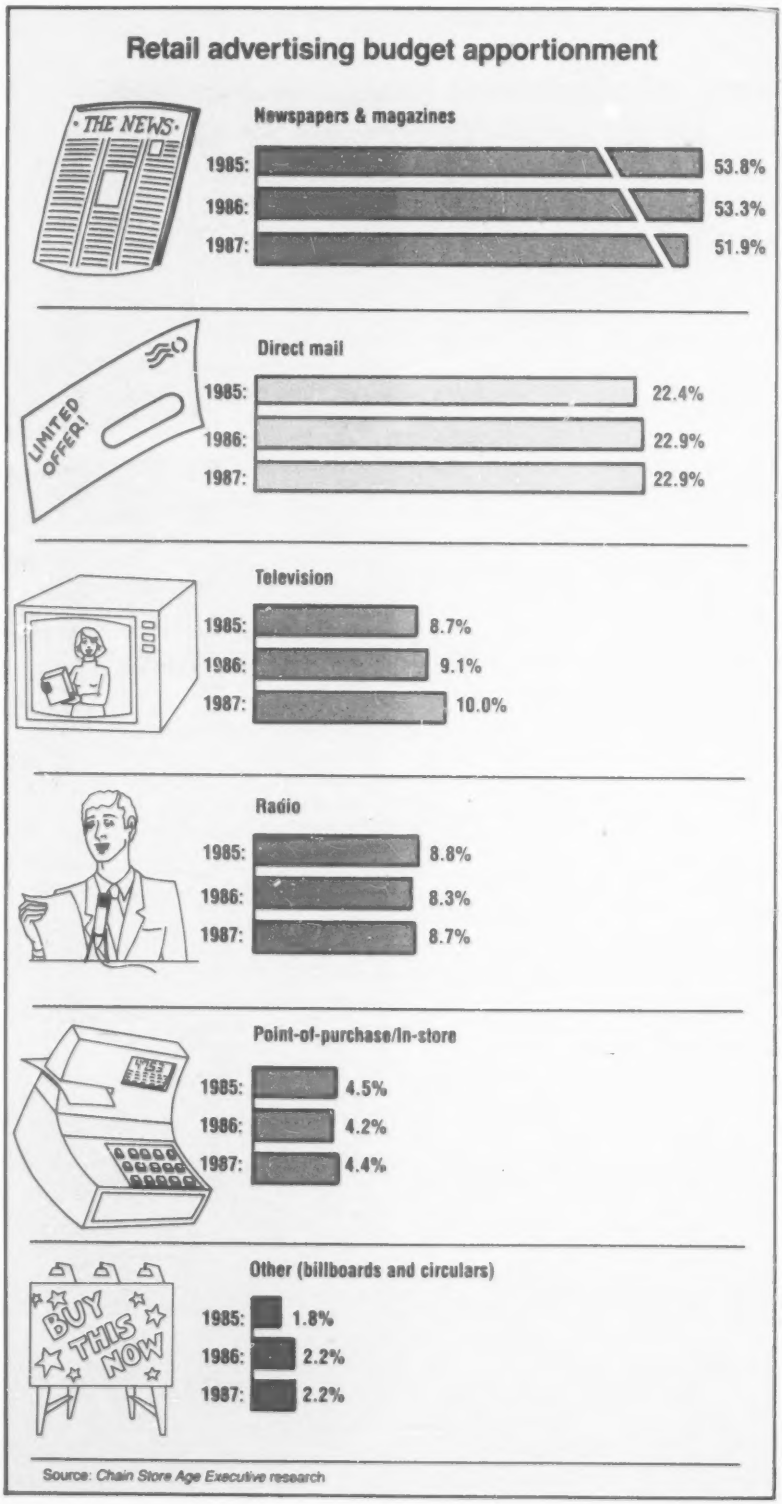


CENTER DEVELOPERS EXTEND CREATIVITY TO THE MAXI

Marketing directors are becoming more creative in both the planning and the execution of advertising and promotion programs aimed at building more traffic in their centers. With its Maxi Awards program, the International Council of Shopping Centers honors their efforts. *35*

RESEARCH STUDY: CHAINS' AD BUDGETS ARE UP

EXPENDITURES INCREASED THIS YEAR, REPORT 69% OF RETAILERS INTERVIEWED



Despite continuing efforts to keep other operating costs down, retailers certainly aren't stinting when it comes to spending money to reach both current and potential customers. In fact, 69% of the retailers who participated in a recent study conducted by *Chain Store Age Executive* report increases in this year's advertising budgets; 58% expect to spend even more on advertising and promotion in 1987.

The overall purpose of this study is to examine retailers' consumer advertising plans, including budget allotments and media mix. Reasons behind the advertising strategies were also sought.

Companies representing the following retail classifications are included in this study: apparel specialty stores; department stores; discount stores; drug stores; home centers; and supermarkets. The specific areas of inquiry include the following:

- Percentage of total dollar sales volume spent and/or expected to spend on consumer advertising, fiscal 1985, 1986 and 1987;
- Changes, if any, in actual dollars spent on consumer advertising during the years studied;
- Reasons for changes;
- Percentage of total consumer advertising dollars spent and/or expected to spend on specified media, fiscal 1985, 1986 and 1987.

According to the study, department stores spend the largest percentage of their total dollar sales volume on advertising of any of the retail classifications studied, remaining at 3.5% of sales for each of the years included in this survey. One of the major reasons behind department stores' willingness to make this large a marketing expense allotment is the fiercely competitive nature of their business; they have to compete not only against each other but also against extremely aggressive specialty store competition.

However, other retailers also appear to be feeling an increased need to spend more on advertising and promotion of their stores. According to the survey, for instance, respondents from every other retail classification (with the exception of drug store retailers) expect to spend a larger percentage of their sales dollars on advertising next year. The reasoning?

It's necessary to spend more money to make more money.

Discount stores plan to spend 2.9% of sales on advertising next year. Apparel retailers, 2.6%—the same percentage reported by home center chains. Supermarkets expect to be spending only 1.3% of sales, but obviously they are operating from a substantially larger sales base to begin with (based on the high volumes often done by a single unit). They are therefore managing to buy substantial advertising coverage for their chains.

The only area of retailing where the percentage of sales going toward advertising is not increasing is among drug store retailers, according to the survey. While the drug chain respondents report spending 2% of sales this year on advertising, they expect this to slide back to 1.8% next year. One possible explanation is related to the large amount of consolidation taking place among these chains. When they consolidate, total sales volume goes up; advertising expenditures may rise more slowly. The result can translate to the slight overall percentage decline.

It's clear, though, that overall the retail industry recognizes the increasing importance of getting their messages out to the consumer. That fact is confirmed by the survey results that show 69% of the respondents increased their 1986 advertising expenditures from 1985's levels. They did so by an average amount of 7.2% in real dollars.

For those retailers upping their budgets this year, the major reason is a change in overall marketing strategy, according to 45% of the respondents. In addition, 33% also note that the opening of new stores in existing market areas is a major impetus. When retailers add these stores, they increase market presence; this in turn makes it both more efficient and more productive to up advertising and promotion expenditures.

Further, the opening of stores in a new market area is a major reason for upping the current year's budgets, according to 28% of the survey participants. The logic here is obvious: a retailer has to spend to let customers know that there's a new player in town. Likewise, when he invests in remodeling stores he wants to let the consumers know about it. That's why remodeling is cited by 26% of the survey respondents as a major reason for upping ad budgets. Also, when retailers see new competitors moving onto their turf they fight back; 24% report investing more in advertising because of increased competition.

Other major reasons for increasing ad expenditures include: the desire to convey a new image to shoppers, cited by 14%; a more lenient attitude on the part of top management toward advertising, a major impetus for 10%; and a drop in market share, leading to budget increases for 6% of the respondents.

According to the *Chain Store Age Executive* survey, it appears that retailers' advertising and promotion investment will be even higher next year. While a number of the survey participants had not yet finalized next year's budgets, 58% say that they are already planning to up their advertising investment further in 1987, expecting to do so by an average of 7.7%. *(For detailed information on each retail category, see accompanying chart.)*

Changes in overall marketing strategy and the opening of additional stores in existing market areas are both major causes for further upping advertising expenditures in 1987, according to the survey respondents. These causes are each cited by 40% of the participants. Likewise, 40% point to the creation of newly remodeled stores as a significant reason for investing more in advertising. This is followed by increased competition in their market areas, cited by 29%, and the opening by these retailers of stores in new market areas, an important consideration for 27%.

Other major reasons for upping budgets include: the desire to convey a new image of the chain to shoppers (12%), and a more lenient attitude on the part of top management toward advertising (8%). Nine percent of those expecting to spend more report that increases in media costs are a significant contributing factor.

As for where all of these advertising dollars are going, the majority of the respondent chains spend the single largest portion of their consumer advertising budgets on newspaper and magazine advertising. However, when looking at the total survey group, while an average 53.8% of the advertising budgets was spent on newspapers and magazines in fiscal 1985, this is projected to drop slightly to 51.9% by fiscal 1987.

Direct mail ranks No. 2 in advertising dollars spent, with the budget percentage projected to have increased this year to an average 22.9% of the total advertising budget, up slightly from 22.4% in 1985. It is expected to remain at the higher level next year.

In the meantime, television remains a relatively distant third in the advertising budget allotments. However, while it accounted for only an average 8.7% of the total advertising dollars spent in 1985, it has climbed to an estimated 9.1% this year and is expected to increase further to 10% in 1987.

Radio follows TV in terms of the amount of budget allotted to it, at 8.8% in 1985, 8.3% this year, and a prediction of 8.7% in 1987. (Radio, however, is a far less expensive medium in terms of costs per airing.)

In-store point-of-purchase accounted for an average 4.5% of the respondents' advertising budgets in 1985, is estimated to have fallen to 4.2% this year, and is projected to rise slightly to 4.4% in 1987. (It is important to remember, though, that a great deal of point-of-purchase advertising is not paid for by the retailer but rather is made available through manufacturers' co-op programs.)

As retailers continue to rethink their marketing strategies and seek out new ways to compete in an increasingly overcrowded market, maximizing those growing advertising budgets will become an even higher priority. ■

Changing advertising budgets

	1986 % of chains reporting increase	Average % of increase	1987 % of chains reporting increase (over 1986)	Average % of increase
Total	69%	7.2%	58%	7.7%
Apparel	57	16.3	53	12.1
Department	80	3.2	60	4.8
Discount	60	6.6	50	5.2
Drug	80	7.7	50	6.7
Home Center	57	5.3	57	7.8
Supermarket	83	6.1	77	10.2

Source: *Chain Store Age Executive* research

WHAT'S FOUR-COLOR, B & W AND READ ALL OVER?

NEWSPAPER ADVERTISING TAKES ON NEW IMPACT AS RETAILERS ADD COLOR

Abraham and Straus started experimenting with four color run-of-the-paper (ROP) advertisements a little over a year ago. It began running a regular four-color schedule as of April 1, 1986 when Long Island's *New York Newsday* made four-color available. Today it is also running schedules in *The Bergen Record* and the *Asbury Park Press*, both located in New Jersey.

A&S is just one of many retail chains that are beginning to run four-color advertisements ROP, rather than just utilizing color in newspaper inserts. The major benefit is that according to consumers, four-color ads practically jump off the page compared to black and white.

Taking advantage of this advantage of this benefit is now easier due to technological innovations in newspaper printing. As Tom Holliday, vp-chain store sales for the Newspaper Advertising Bureau (NAB), says, the availability of four-color helps to persuade more retailers to use newspaper advertising.

But no matter whether they run four-color or black and white advertising, retailers in the United States spend the largest single portion of their annual advertising budgets on newspapers *(see story this issue)*.

According to figures from York City-based NAB, retailers spent $13.4 billion on newspapers in 1985; a 6% increase to $14.2 billion is projected for 1986.

Plus, in 1985 the amount of money spent by retailers in newspapers accounted for 53.4% of the total $25.2 billion spent by all advertisers utilizing this medium.

Looking at spending by retail categories, for the first six months of this year, department stores were the largest newspaper advertisers, spending a total of $1.4 billion. They were followed by food stores spending $539.7 million; furniture stores, $379 million; general merchandise stores, $354.5 million; and television, radio and record stores, $305.6 million, says the NAB.

Retail newspaper advertising expenditures*
(In millions)

	Expenditures	Change
1980	$ 8,609	9.7%
1981	9,686	12.5
1982	10,390	7.3
1983	11,841	14.0
1984	12,784	8.0
1985	13,443	5.2
1986 (projected)	14,239	6.0

*Including production cost estimates
Source: Newspaper Advertising Bureau

Frank J. Savino, vp-marketing for *The Bergen Record*, offers further support for the NAB's contention that some of this growth is being fueled by the greater availability of color.

The Metropolitan New York area, he notes, has always been known as a black and white advertising market. However, recently *New York Newsday* and the *Newark Star Ledger*, in particular, have invested heavily in ROP color.

One of the leaders in persuading retailers of the desirability (and the availability) of four-color is *The Bergen Record*, says Savino. He contends that while a number of chains have been using four-color in their pre-print inserts for some time, *The Bergen Record* is possibly running the most ROP color of any newspaper in the greater metro area.

"We reduced our prices tremendously to get it [ROP color] off the ground back in 1982," he says. The retailers see definite results in color advertising. "It brings the ads to the readers' attention."

However, because he believes that most retailers still don't know how to use color, next year *The Bergen Record* will sponsor a color clinic to educate the retailers, says Savino.

Joel Canter, A&S's operating vp-advertising, reports that his company is already using color because "If you open the paper and find an ad in four-color in context with black and white ads, it makes an impact," he says. "It differentiates you from the competition. There is an enhancement of the merchandise."

He adds that reproduction is constantly getting better. The four-color reproduction in *The Bergen Record* is "fabulous," says Canter, and that newspaper is making four-color more "affordable." In *The Bergen Record*, four-color ads cost $1,000 more per page than black and white, plus a premium for color, he says.

The department store chain is currently running two double trucks, or four pages, a month in *The Bergen Record* and the *Asbury Park Press*, where A&S has only a couple of stores, and double trucks every Thursday and Sunday in *New York Newsday* because the bulk of its stores are on Long Island. ■

DEPARTMENT STORES: SPENDING $1.4 BILLION IN SIX MONTHS ON NEWSPAPER ADVERTISING